

**SECRET**



**BIWEEKLY REPORT**

**SINO-SOVIET BLOC  
ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS**

EIC-WGR 1/55

17 March 1958

PREPARED BY THE WORKING GROUP  
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE



**SECRET**

**WARNING**

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

These biweekly reports on "Sino-Soviet Bloc Economic Activities in Underdeveloped Areas" are prepared and issued by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce, and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. Their purpose is to provide up-to-date factual information on significant developments in the economic relations of Sino-Soviet Bloc countries with underdeveloped countries of the Free World. The EIC-R-14 series of reports, under the same title, provide periodic summaries and analytical interpretations of these developments.

Printed and Disseminated by the  
Central Intelligence Agency

**SECRET**

S-E-C-R-E-T

Summary of Events  
28 February - 13 March 1958

India is considering Soviet and Rumanian offers of economic and technical assistance for the construction of two oil refineries. These refineries will cost about \$70 million. Rumania and the USSR presumably would extend loans to cover foreign exchange requirements, which will represent about one-half of the total cost of the refineries. Ceylon has accepted an offer of a \$10.5-million loan from Communist China. These two events constitute the most important developments affecting the economic relations between the Sino-Soviet Bloc and underdeveloped countries of the Free World during the period 28 February - 13 March 1958.

Also of special interest is the decision of Egypt to lower its exchange rate in such a way as to stimulate sales of cotton to Western buyers. The new Egyptian foreign exchange system, under which the Egyptian pound will be sold at a discount to qualified exporters, is apparently designed to redirect part of Egypt's trade and to lessen Egypt's dependence on the Soviet Bloc for the marketing of its cotton. Also in the Middle East, representatives of the Polish Factory Export Organization and a private Iranian firm signed a contract for the construction in Meshed of a sugar mill worth \$3,187,000.

An agreement between Afghanistan and the USSR calling for about \$12 million of Soviet aid for the construction of the Salang Pass road and tunnel was recently signed in Kabul. The completion of this project will shorten the route from the Soviet frontier to Kabul and increase its capacity.

A nongovernmental trade agreement between Japan and Communist China was concluded in March in Peking between a private Japanese delegation and Chinese Communist representatives. The agreement, which provides for an exchange of permanent, resident trade missions and for direct banking relations, calls for \$98 million in trade each way during the coming year. Another nongovernmental agreement,

- i -

S-E-C-R-E-T

S-E-C-R-E-T

signed in February by Japan and Communist China, calls for a total of \$280 million trade each way over the 5-year period 1958-62. This agreement provides for an exchange of Japanese steel products for Chinese Communist iron ore, coal, and other products. It is likely that the Japanese government will encourage an actual growth of trade by implementing the technical requirements of the agreements -- that is, by the issuance of export and exchange permits. The Japanese government, however, probably will seek to avoid direct political involvement, such as would be entailed in any formal governmental approval of the agreements, particularly the agreement of 5 March 1958.

An official Argentine trade mission composed of representatives of state monopolies and state-owned industries visited six Soviet Bloc countries beginning in mid-January. On the return of the mission its head announced that contracts valued at \$27 million had been concluded and that other contracts were pending.

S-E-C-R-E-T

S-E-C-R-E-T

CONTENTS

	<u>Page</u>
I. South Asia . . . . .	1
A. India . . . . .	1
1. Soviet and Rumanian Offer to Construct Oil Refinery in India . . . . .	1
2. Approval of East German Assistance in Estab- lishment of Indian Raw Film Plant . . . . .	2
B. Acceptance by Ceylon of Chinese Communist Offer of \$10.5-Million Loan. . . . .	2
C. Status of Afghan Airfield and Road Projects Under Soviet \$100-Million Loan . . . . .	3
II. Southeast Asia . . . . .	3
A. New Trade Agreement Between Burma and Com- munist China . . . . .	3
B. Communist China's Exchange Earnings from Hong Kong and Malaya in 1957 . . . . .	4
III. Far East (Japan - Communist China Trade Agreement) .	5
IV. Middle East and Africa . . . . .	7
A. Impact of New Egyptian Foreign Exchange System on Egyptian Economic Relations with the Soviet Bloc . . . . .	7
B. Polish Contract for \$3-Million Sugar Mill in Iran . . . . .	8
V. Latin America (Return of Argentine Trade Mission to the Soviet Bloc) . . . . .	9

- iii -

S-E-C-R-E-T

25X1

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700010055-0

Next 10 Page(s) In Document Exempt

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700010055-0